

Low Income Housing Tax Credit Preservation: Year 15/30 Program

PROGRAM DESCRIPTION	
Goal:	<p>The goal of the Low Income Housing Tax Credit Preservation Year 15/30 Program is to provide financing strategies for the preservation and improvement of Low Income Housing Tax Credit properties (including but not limited to projects in HCR's existing portfolio, including HFA, HTFC and DHCR) that have reached or are approaching the end of their initial 15-year compliance period.</p> <p>The program utilizes a variety of approaches that are responsive to the particular needs of existing, affordable LIHTC housing, with consideration for the location and populations within the diverse communities throughout New York State, including urban, suburban and rural areas. Projects may leverage conventional sources of financing with HCR sources.</p>
Eligible Uses:	<p>Preservation and improvement of existing LIHTC affordable multifamily rental housing, including:</p> <ul style="list-style-type: none"> • Moderate to substantial rehabilitation in order to address existing conditions, replace existing components that are beyond their useful life, and include sustainability improvements to extend the useful life and energy efficiency of the project as a whole. • Repositioning to address financial and capital needs. • Extension of long-term affordability.
Eligible Projects:	<p>Existing LIHTC projects that have reached or are approaching the end of their initial 15-year compliance period or have previously exited the investor ("Year 15/30 projects").</p> <p>Applicants may combine multiple, eligible Year 15/30 projects where appropriate to improve operations and/or financial feasibility.</p>
Priorities:	<p>Properties that are currently regulated by HCR (including projects in HCR's existing portfolio, including HFA, HTFC and DHCR), particularly:</p> <ul style="list-style-type: none"> • Distressed assets as determined by HCR • Projects that serve extremely low-income households • Projects located in well-resourced areas
Eligible Borrowers:	<p>Limited partnerships, corporations, joint ventures, limited liability companies, 501(c)(3) corporations, single purpose housing development fund corporations, housing companies, including not-for-profit, for-profit, and limited dividend entities.</p> <p>The sponsor, management company and principal participants in the project must be in good standing, not be in default under any existing mortgage financing and must meet all HCR credit review criteria.</p>

	HCR, at its discretion, may recommend and/or require consulting services to aid eligible borrowers for technical assistance when deemed necessary.
AFFORDABILITY REQUIREMENTS	
Affordability Requirements:	Projects must maintain existing rent, occupancy and other restrictions as required for LIHTC projects per Section 42 of the IRC §42 Low Income Housing Credit Program. Projects must also comply with all income, occupancy and rent restrictions outlined in current and any supplemental regulatory agreements or other applicable subsidy program terms.
Rent Limits:	<p><i>For all income-restricted units:</i> gross rents cannot exceed 30% of the applicable percentage of AMI adjusted for family size. In some cases, HCR/HFA may allow an income band if required by other funders of the project to accommodate specific public policy goals. For example, maximum rents set at 57% of AMI may be permitted for a unit restricted for households earning up to 60% of AMI.</p> <p><i>In New York City:</i> subsequent rent increases for restricted units will be governed by the lower of AMI, rent stabilization increases or by other legislation.</p>
Regulatory Agreement:	<p><i>Projects utilizing new HCR financing:</i> will be required to enter into a Regulatory Agreement to ensure compliance with HCR policy including but not limited to, income restrictions, LIHTC requirements, restrictions on transfers, and financial reporting, for a minimum period of 40 years.</p> <p><i>Projects that are <u>not</u> utilizing new HCR financing but are seeking to modify existing loan terms, utilize existing reserves, and/or extend affordability:</i> will be required to enter into a Regulatory Agreement or amend and restate an existing Regulatory Agreement for an additional minimum period of 15-40 years, or as otherwise determined by HCR.</p> <p><i>The Regulatory Agreement:</i> must be executed prior to financing. Requirements imposed by other loan and/or subsidy sources may be more restrictive but must be consistent with the HCR/HFA Regulatory Agreement.</p>
Section 8 Project Based Vouchers (PBVs):	<p>Projects with existing Section 8 Project Based Rental Assistance or Project Based Vouchers must renew and extend existing contracts.</p> <p>Projects without existing Section 8 Project Based Rental Assistance or Project Based Vouchers may apply for PBVs through HCR's Request for Proposals as they are made available: https://hcr.ny.gov/</p> <p>Projects may seek other local or municipal administrators of Section 8 PBVs separately or in conjunction with HCR's program.</p> <p>The goals of HCR's Section 8 PBV program are to:</p> <ul style="list-style-type: none"> • Increase the supply of quality housing that is affordable to low-income

	<p>households in communities across New York State in support of de-concentration of poverty and expanding housing and economic opportunities.</p> <ul style="list-style-type: none"> • Preserve the long-term viability of existing affordable housing previously assisted with Federal and State investments. <p>The targeted income for Section 8 PBVs includes:</p> <ul style="list-style-type: none"> • Very low (50% AMI) and extremely low income (30% AMI) [minimum 75% of new admissions for the HCV program (which includes PBVs) must be at or below 30 % AMI].
Subsidy Layering Review:	The U.S. Department of Housing and Urban Development (HUD) requires that a Subsidy Layering Review (SLR) be conducted for all projects receiving Federal government subsidies, in addition to HUD assistance, to ensure that a project does not receive excessive public funds.
Real Estate Tax Exemption:	Evidence of an existing real estate full or partial tax exemption or Payment In Lieu Of Taxes (PILOT) Agreement, or evidence of a local municipality's or industrial development agency's commitment for same is required with an application. All projects are required to have a full or partial tax exemption in place at repositioning.
Ownership Transfer:	Ownership transfers (of the General Partner and/or the Limited or Investment Partner) must receive HCR consent to transfer ownership, with certain limited exceptions. The applicant must provide notice to HCR and comply with the relevant terms of the Regulatory Agreement and HCR guidance for Agency review. Failure to obtain Agency consent may result in certain penalties.
LOAN TERMS	
Maximum Award:	Up to \$75,000 per unit, depending on capital needs. Per-unit subsidies may be reduced for projects utilizing other sources, including private/conventional debt, borrower equity, existing project reserves, seller's note (as supported by current appraisal) and other subsidies.
Interest Rates and Fees:	<p>Application Fee: \$5,000</p> <p>Interest and Servicing:</p> <ul style="list-style-type: none"> • 0.25% interest-only paid during construction and permanent. • 0.25% servicing fee paid during construction and permanent.
Term:	<p>Expected minimum permanent term of 30 years. Longer terms and balloons will be considered on a case by case basis and may warrant a higher mortgage rate.</p> <p>Debt Service Coverage Ratio (DCR): Minimum of 1.15 for all loans requiring debt service and/or paid interest.</p>

Construction Loan Amount:	For construction loans funded by subsidy program funds, up to 90% of the total amount of subsidy is available during construction.
Existing Subordinate HCR Debt:	<p>Existing HCR debt may be subordinated to the new financing and extended to run concurrent with the new regulatory term at current interest rate.</p> <p>HCR reserves the right to review and modify such loan terms as interest rate, duration, payment requirements, maximum and per unit amount restrictions, income restrictions, availability during construction and permanent periods per HCR's discretion. In some cases, terms are guided by the statute limitation of the program.</p>
UNDERWRITING REQUIREMENTS	
Revenue & Expenses:	<p><i>HCR will utilize the following underwriting standards:</i></p> <ul style="list-style-type: none"> • I & E Trending: 2% income increase and 3% expense increase. • Vacancy and Collection Loss Rate: 5% for affordable residential, 10% for market residential and 10% for commercial (unidentified commercial revenue will not be included towards first mortgage loan sizing)
Developer's Fee:	A developer fee of up to 10% of the Total Development Cost, inclusive of any consultant fees is permitted, subject to HCR approval.
Reserves:	<p><i>Replacement Reserve Pre-Funded (Capitalized):</i> Minimum \$1,500 per unit Reserve for Replacement requirement pre-funded at closing. Depending on a project's capital needs as evidenced in an IPNA, this requirement may be increased to \$2,000 per unit.</p> <p><i>Replacement Reserve Annualized:</i> At a minimum the required annual deposit is \$300 per unit into a Reserves for Replacement account, payable monthly. This amount however, is subject to adjustment, depending on project requirements the deposit may be the greater of the following: existing reserve funding requirements, 3% of Gross Rent Potential, or \$300 per unit per year.</p> <p><i>Existing Reserves:</i> any existing reserves must remain with the project and be used as source (for example, to fund new reserve requirements or capital needs) in order to reduce or eliminate the need for HCR subsidy.</p> <p><i>Operating Reserves:</i> Upon completion the 15-year tax credit compliance period, the balance of the reserve shall be applied to the prepayment of any outstanding HCR/HFA subsidy loan, however, at the sole discretion of HCR, such balances may be applied to specific capital needs of the project or funding for ongoing reserves.</p>
Contingencies:	<p>Hard Cost Contingency: 10% of hard costs net of contingent costs.</p> <p>Soft Cost Contingency: Maximum 5% of soft costs less fees and reserves.</p> <p>For projects in receipt of HCR subsidy, upon project conversion, the balance of all unutilized contingencies may be used to reduce HCR subsidy.</p>

REVIEWS AND APPROVALS	
Scope of Work: IPNA	An Integrated Physical Needs Assessment (IPNA), a physical or capital needs assessment combined with an energy audit, illustrating the basis for the scope of services must accompany the application. Additional information on the IPNA assessment tool and the template for completing the IPNA can be found at: https://hcr.ny.gov/sustainability-guidelines
Sustainability Guidelines / Clean Energy Initiative (CEI)	<p>Projects should meet HCR's Green Building Requirements for Preservation-Existing Housing found in the Sustainability Guidelines for Existing Buildings. More information can be found at: https://hcr.ny.gov/sustainability-guidelines</p> <p>Projects may be eligible for up to \$25,000/unit in additional funding under the Clean Energy Initiative (CEI). These funds are made available to a select number of existing building renovation projects who are interested in and committed to meeting HCR's Stretch Sustainability Goals for existing buildings, which can be described as steps towards a highly-efficient, all-electric buildings, (carbon neutral-ready). Projects with over 250 units may apply but will be subject to a per project maximum of 250 units (or \$6,250,000). For more information: https://hcr.ny.gov/clean-energy-initiative</p> <p>Projects where energy program standards would be detrimental to National Parks Service (NPS) or NYS Historic Preservation Office (SHPO) mandates for historic preservation, and efficiency measures undermine the financial viability of preservation of an existing building may request a waiver of specific items. There must be documentation of the specific items of standards and green guidelines that do not comply with requirements of NPS/SHPO, impact historic tax credits or undermine the overall feasibility of the project.</p>
HCR Design Guidelines:	<p>The HCR Design Guidelines apply to all projects applying for funding administered by HCR-HFA. The Guidelines apply to new construction, , substantial rehabilitation projects and to the greatest degree practical historic rehabilitation projects, including historic adaptive reuse projects. For moderate rehabilitation projects, see Appendix A of the Design Guidelines for more information: https://hcr.ny.gov/sustainability-guidelines</p> <p>Please note the HCR Design Guidelines are subject to periodic updates and revisions and applicants should be aware of any changes as necessary when submitting an application.</p>
Benchmarking:	HCR requires that properties in excess of 25,000 square feet report annual whole building energy and water usage data through either a third-party benchmarking service provider or direct monthly utility data imports from the property's utility providers. The utility data including fuel, electricity and water is to be uploaded to an EPA ENERGY STAR Portfolio Manager® account designated by HCR and shared on an annual basis. Reporting will continue throughout the duration of the project's regulatory agreement as part of asset management. Preservation projects must submit two prior years of utility use data to HCR in this benchmarking format as part of the application.

<p>Environmental:</p>	<p>For every project (new construction and preservation), the Agency’s Environmental Analysis Unit (EAU) requires that the applicant complete and submit the following with the application:</p> <ol style="list-style-type: none"> (1) Pre-Application: Site Suitability Analysis, to be reviewed and cleared by EAU prior to any further review. (2) Part 1 of the Short Environmental Assessment Form (EAF), fully executed. The updated form can be found at: http://www.dec.ny.gov/docs/permits_ej_operations_pdf/617revseaf1.pdf <p>If EAU determines that the project should be classified as a Type I Action, the Full Environmental Assessment Form will be required and requested from the applicant. [OR]</p> <p>If another entity has assumed the lead agency designation for coordinated review, a copy of the EAF-Part 1 submitted to that entity and any additional State Environmental Quality Review Act (SEQR) documentation submitted or received from that entity (e.g. Part 2, Negative Declaration, or EIS) must be submitted with the application.</p> <ol style="list-style-type: none"> (3) Phase I Environmental Site Assessment Report (A Phase II Environmental Site Assessment Report may be required and requested from the applicant as applicable). (4) The New York State Historic Preservation Office impact determination letter OR if the determination is pending, the confirmation notice from the New York State Office of Parks Recreation and Historic Preservation’s Cultural Resource Information System acknowledging that an application has been filed for an impact determination: https://cris.parks.ny.gov <p>EAU will conduct an initial review and then issue a Follow-Up Letter (FUL) identifying additional required submissions specific to the project’s site and/or proposed scope of work.</p> <p>Additional required environmental analysis submissions/processes identified in the FUL may include, but are not limited to:</p> <ul style="list-style-type: none"> • Full Environmental Assessment Form for actions classified as Type 1 by EAU; • Floodplain FIRM Map locating the proposed project site(s); • Phase 2 Environmental Site Assessment Report • Asbestos-containing materials survey (ACM) for preservation projects; • Lead-based paint survey (LBP) for preservation projects constructed before 1978; • Copies of prior environmental review documents and technical reports for preservation projects with existing HCR financing; • National Environmental Policy Act (NEPA) review in accordance with 24 C.F.R. Sections 58.5, 58.6 for projects receiving federal subsidies or utilizing vouchers.
<p>EQUAL OPPORTUNITY GOALS</p>	

Fair Housing and Equal Opportunity (FEHO):	All applications must comply with all HCR marketing guidelines and meet the mission and requirements of HCR's Fair and Equitable Housing Office (FEHO), including but not limited to the submission of an Affirmative Fair Housing Marketing Plan. More information on FEHO's requirements can be found on HCR's website: https://hcr.ny.gov/feho
Office of Economic Opportunity and Partnership Development (OEOPD):	All applications must comply with and meet the requirements of HCR's Office of Economic Opportunity and Partnership Development (OEOPD), including but not limited to the participation of Minority and Women-Owned Business Enterprises (MWBEs) and Service-Disabled Veteran-Owned Business Enterprises (SDVOBs). More information on OEOPD's requirements can be found on HCR's website: https://hcr.ny.gov/oeopd
CONTACT INFORMATION	
Pre-application Technical Assistance:	<p>All applicants are required to: (1) schedule a technical assistance session with an HCR Development Director prior to any review of an application, and (2) submit a concept paper in advance of scheduling an initial technical assistance session. The concept paper should include:</p> <ul style="list-style-type: none"> • Project Narrative • Preliminary drawings and/or IPNA, zoning calculations • Phase 1 Environmental Survey • Proposed organizational chart with narrative describing ownership structure • Statement from project architect affirming compliance with HFA design guidelines • Site Suitability Worksheet • Appraisal • Development Budget • Letters of Cooperation or Support: If available, please attach LOI, letters of support or award letters from outside financing or subsidy sources including those from municipalities <p>HCR's Development Directors will conduct the initial evaluation of proposals for technical assistance in conjunction with HCR's Director of Preservation Initiatives.</p> <p><i>For New York City and Long Island Region proposals:</i> Leonard Skrill: leonard.skrill@hcr.ny.gov</p> <p><i>For Downstate, Mid-Hudson, Capital, Central New York, Mohawk Valley and North Country Region proposals:</i> Darren Scott: darren.scott@hcr.ny.gov</p> <p><i>For Western New York, Finger Lakes and Southern Tier Region proposals:</i> Leonard Skrill: leonard.skrill@hcr.ny.gov</p>

HCR, in its sole discretion, may, at any time and without prior notice, terminate the effectiveness of this Term Sheet, amend, or waive compliance with any of its terms, or reject any or all proposals for funding